



IOWA GENERAL ASSEMBLY
LEGISLATIVE SERVICES AGENCY
 DENNIS C. PROUTY, DIRECTOR
 IOWA STATE CAPITOL
 DES MOINES, IA 50319
 515.281.3566
 Fax: 515.281.8027
dennis.prouty@legis.state.ia.us

DIVISIONS

LEGAL SERVICES
 RICHARD L. JOHNSON

FISCAL SERVICES
 HOLLY M. LYONS

COMPUTER SERVICES
 GLEN P. DICKINSON

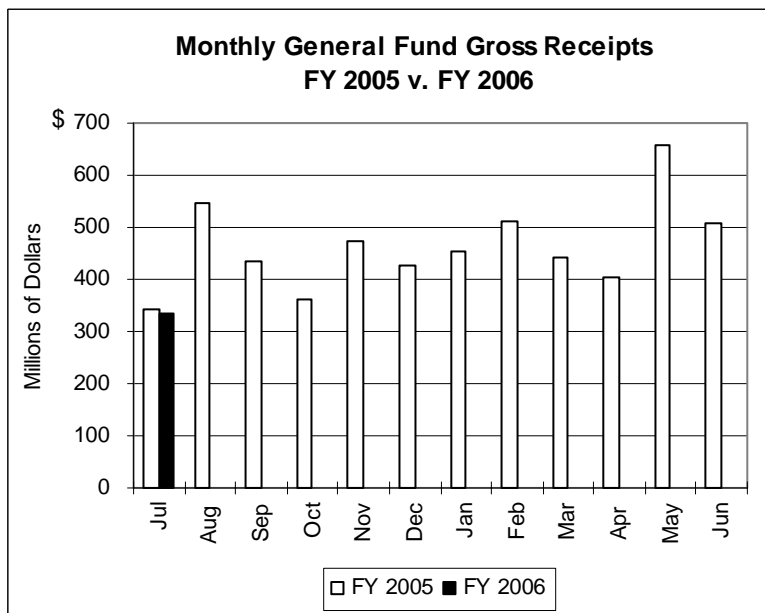
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: August 1, 2005

Monthly General Fund Receipts through July 31, 2005

The attached spreadsheet presents year-to-date FY 2006 General Fund receipts, with comparable figures for actual FY 2005. The figures can be compared to the FY 2006 estimate of \$5.581 billion set by the Revenue Estimating Conference (REC) on April 8, 2005. The FY 2006 estimate is an increase of \$11.8 million (0.2%) compared to actual FY 2005 gross cash receipts (excluding transfers and accrued revenue changes). The current low growth projection is due to FY 2005 gross cash receipts exceeding REC projections. A date for the next Revenue Estimating Conference has not been set.



FY 2006 Compared to FY 2005

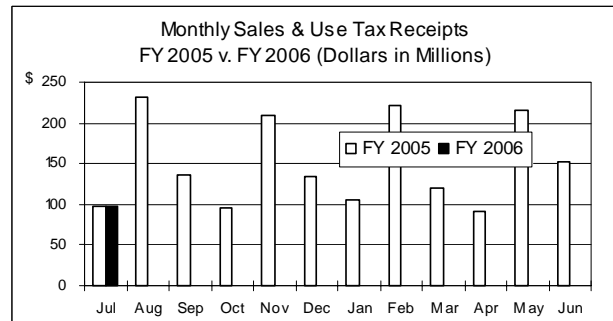
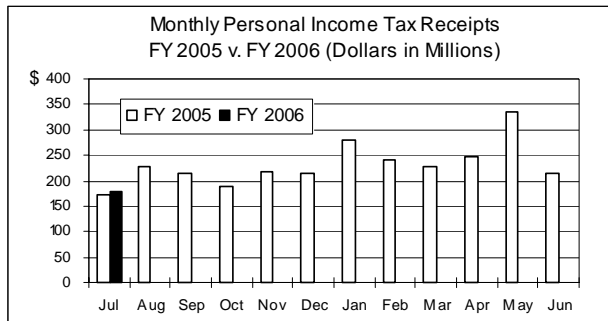
Fiscal year 2006 total cash gross revenue (excluding transfers) decreased \$7.7 million (- 2.3%) compared to FY 2005. Major revenue sources contributing to the change include:

- Personal income tax (positive \$6.9 million)
- Sales & use tax (positive \$0.5 million)
- Corporate tax payments (negative \$3.9 million)
- Other taxes (positive \$1.1 million)
- Other receipts (negative \$12.6 million)

Personal income tax revenues received in July totaled \$178.0 million, an increase of \$6.9 million (4.0%) compared to July 2004.

Withholding tax deposits have shown negative growth since April 26th, decreasing \$12.0 million (- 3.3%) since that date. While recent changes to withholding tax tables were expected to decrease the rate of income tax growth, the changes were not expected to produce negative growth. In addition, the \$6.9 million income tax increase shown in July was produced by a “three-Friday effect” that occurred with the July 26th deposit of withholding tax. Without that boost, July would also likely have shown negative income tax growth. The Fiscal Division will continue to monitor the withholding tax downturn.

The FY 2006 REC income tax estimate of \$2.791 billion represents a projected increase of 0.3% compared to actual FY 2005. Withholding tax payments increased 3.9% while estimated income tax payments decreased 0.6%. Payments with returns are not a significant revenue source in July. The following chart compares FY 2006 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2005.



Sales & Use tax receipts received in July totaled \$97.2 million, an increase of \$0.5 million (0.5%) compared to July 2004. Sales & use tax receipts were negatively impacted in July by a large jump in the monthly transfer to the Local Option Sales Tax Fund. This large jump is likely an adjustment for insufficient transfers in previous months. Without the adjustment, sales & use tax would have shown a larger increase in July.

The REC estimate for FY 2006 sales & use tax receipts is \$1.850 billion, an increase of 2.1% compared to actual FY 2005. The preceding chart compares FY 2006 monthly sales tax receipts with FY 2005.

Corporate tax receipts received in July totaled \$8.8 million, a \$3.9 million decrease (- 30.7%) compared to July 2004. The REC estimate for FY 2006 corporate tax revenue is \$295.7 million, which represents an increase of 5.3% compared to actual FY 2005.

Other tax receipts received in July totaled \$20.8 million, a \$1.1 million (5.6%) increase compared to July 2004.

The REC estimate for FY 2006 receipts from other taxes is \$350.5 million, which represents a decrease of 1.4% compared to actual FY 2005.

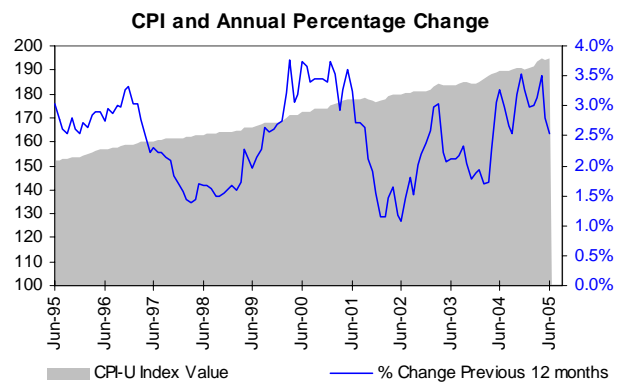
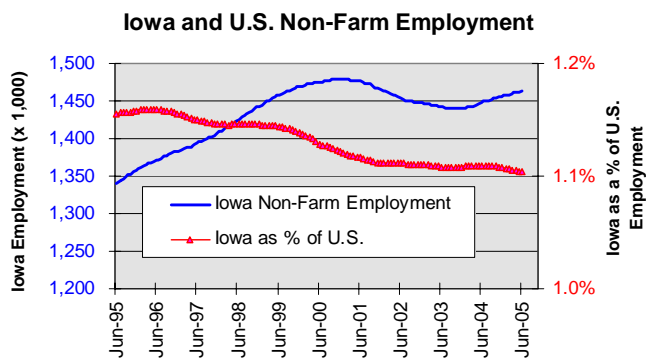
Other receipts (non-tax receipts) received in July totaled \$29.2 million, a \$12.6 million (- 30.1%) decrease compared to July 2004. Transfers from the Unclaimed Property Fund were responsible for the decrease, as a large deposit associated with insurance company demutualization proceeds occurred in July 2004.

The REC estimate for FY 2006 other receipt revenue is \$293.7 million, which represents a decrease of 13.1% compared to actual FY 2005. The projected decrease relates to transfers from the Unclaimed Property Fund.

Status of the Economy

Iowa non-farm employment was reported at 1,492,800 for the month of June (not seasonally adjusted), 16,200 higher than June 2004. The non-farm employment number includes only employees covered by the Unemployment Insurance system. Therefore, self-employed and other non-covered employment situations are not part of the non-farm count.

The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked at an all time high in January 2001 (1,478,700), and the recent low was September 2003 (1,439,900). The current 12-month average reading is 1,463,500, so Iowa non-farm employment is roughly 15,200 below the peak and 23,600 above the recent low point. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. The current 1.10% rating is the lowest since 1989.



Consumer prices increased 0.1% during the month of June (not seasonally adjusted). The Consumer Price Index (CPI-U) through June 2005 was 194.5 (1983/84=100), 2.5% higher than one year ago. The annual rate of inflation jumped significantly during the seven months beginning April 2004, but has moderated somewhat since peaking in November 2004.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2005 vs. FY 2006 July 1 through July 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 05 Actual Compared to FY 06 REC Estimate		
	FY 2005	FY 2006	Year to Date % CHANGE	July % CHANGE	Actual FY 2005	Estimate FY 2006	Projected % CHANGE
Personal Income Tax	\$ 171.1	\$ 178.0	4.0%	4.0%	\$ 2,782.3	\$ 2,790.9	0.3%
Sales/Use Tax	96.7	97.2	0.5%	0.5%	1,812.3	1,849.9	2.1%
Corporate Income Tax	12.7	8.8	-30.7%	-30.7%	280.9	295.7	5.3%
Inheritance Tax	6.7	6.0	-10.4%	-10.4%	78.4	74.7	-4.7%
Insurance Premium Tax	0.6	1.2	100.0%	100.0%	130.9	129.8	-0.9%
Cigarette Tax	6.8	7.1	4.4%	4.4%	87.4	86.2	-1.4%
Tobacco Tax	0.8	0.7	-12.5%	-12.5%	8.7	8.3	-5.0%
Beer Tax	1.4	1.4	0.0%	0.0%	14.0	14.1	0.6%
Franchise Tax	1.7	2.4	41.2%	41.2%	35.4	36.4	2.8%
Miscellaneous Tax	1.7	2.0	17.6%	17.6%	0.6	1.0	75.9%
Total Special Taxes	\$ 300.2	\$ 304.7	1.5%	1.5%	\$ 5,231.0	\$ 5,287.0	1.1%
Institutional Payments	1.0	0.6	-40.0%	-40.0%	12.7	12.8	0.7%
Liquor Profits	2.8	2.0	-28.6%	-28.6%	59.0	59.0	0.0%
Interest	0.5	1.2	140.0%	140.0%	9.7	7.5	-22.6%
Fees	2.8	3.4	21.4%	21.4%	72.3	69.4	-4.0%
Judicial Revenue	6.4	6.6	3.1%	3.1%	59.2	57.3	-3.1%
Miscellaneous Receipts	18.2	4.3	-76.4%	-76.4%	65.1	27.7	-57.4%
Racing and Gaming Receipts	10.1	11.1	9.9%	9.9%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 341.8	\$ 334.1	-2.3%	-2.3%	\$ 5,568.9	\$ 5,580.7	0.2%